Office Supreme Court, U.S.
FILED
DEC 24 1928
CHARLES ELMORE CROPLEY
CLERK

In the Supreme Court of the United States.

OCTOBER TERM—1928.

EDWARD BECHER,
Petitioner,
against
CONTOURE LABORATORIES, INC., and HERBERT OPPENHEIMER,
Respondents.

559

BRIEF FOR RESPONDENTS.

Petition for a writ of Certiorari to the United States Circuit Court of Appeals for the Second Circuit. The decision sought to be reviewed dismisses petitioner's bill of complaint and affirms an order of the District Court denying a preliminary injunction

The facts are reviewed in the majority opinion of Swan, C. J., in the Circuit Court of Appeals (Rec., pp. 114-16). A more detailed statement of the transactions and negotiations between the parties appears in the record (pp. 35-69, 75-82).

POINT I.

The parties are not in dispute as to the law applicable to the point of which petitioner seeks a review.

Petitioner makes no pretense that there is any doubt as to the law applicable. On the contrary, he points

out that the law to be applied is stated in *Pratt* vs. *Paris Gas Light & Coke Co.*, 168 U. S. 255, 259.

We agree that the principles of law set forth in that case govern the situation here.

The rule thus announced has been applied by both the Federal and the State Courts on innumerable occasions.

> *New Marshall Engine Company* vs. *Marshall Engine Co.*, 223 U. S. 473;
> *Tuckett* vs. *Delpark*, 270 U. S. 496;
> *Binney* v. *Annan*, 107 Mass. 94;
> *Annin* vs. *Wren*, 44 Hun. (N. Y.) 352;
> *Underhill* vs. *Schenck*, 238, N. Y. 7;
> *Hoit* vs. *Bates*, 81 Fed. 641;
> *Hanson* v. *Hall*, 190 N. W. (Iowa) 967;
> *Gator* v. *Welder*, 10 How. 477;
> *Harteel* v. *Tilghman*, 99 U. S. 547.

The test of the Pratt case, here accepted by both parties, is stated by this Court as follows:

> "There is a clear distinction between a case and a question arising under the patent laws. The former arises when the plaintiff in his opening pleading—be it bill, complaint or declaration—sets up a right under the patent laws as ground for a recovery."
>
> (The above is part of what is quoted in the petition, page 2, as the basis of the argument.)

Now the complaint in the State Court will be examined in vain for any reference by Oppenheimer to a "right under the patent laws as ground for a recovery." The gist of that complaint is contained in paragraphs

"6", "9" and "10" (Rec., pp. 18 and 19). The parties *agreed*, as there alleged:

> "that the defendant as a machinist would from time to time do certain work for the said plaintiff Oppenheimer under the instruction and direction of said plaintiff, for the purpose of making models to be used in application by said plaintiff for Letters Patent, for which said plaintiff agreed to pay the defendant, and the defendant would keep secret and confidential such information and knowledge as he would obtain from said plaintiff in the course of such instruction and direction by said plaintiff and in the course of the services rendered and work done by the defendant as a machinist in that connection."

In breach of this agreement to keep the information secret, Becher used the knowledge for his own purposes in obtaining Letters Patent, falsely alleging that he was the inventor (Pars. 9 & 10).

Oppenheimer's rights, as there alleged, arise exclusively out of that contract. He makes mention neither of any application on his own behalf for Letters Patent nor of any patent issued to him. He did not seek the aid of the Court to obtain any exclusive right to an invention. He sought only to prevent petitioner from continuing to appropriate to his own use the information imparted pursuant to the agreement to keep it secret.

> "Where a suit is brought on a contract of which a patent is the subject matter, the case arises out of the subject matter and not under the patent laws."

Harted vs. *Tilghman* (*supra*).

The discussion contained in the dissenting opinion in the Circuit Court of Appeals entirely omits from consideration this vital element of the cause of action in the State Court. It erroneously assumes that in the State Court Oppenheimer was required to establish the validity of Becher's patent and procure its assignment. That was not Oppenheimer's purpose. He sought merely to hold Becher to the duty imposed upon him by the agreement to keep the information secret and by the confidential relationship established by that agreement. Whether the breach of that duty sounds in tort or in assumpsit can make no difference. The remedy is the same in either instance.

The petition departs from the facts which must here be assumed to be true. It depends (paragraphs "3", "5" and "6") on the statement that it was Becher who disclosed to Oppenheimer the invention and not Oppenheimer who disclosed it to Becher. If that were true, it would mean merely that Oppenheimer failed to establish Becher's agreement to keep secret. But in the State Court it is alleged and the Court found that such an agreement was actually made and that Oppenheimer was the one who made the disclosure relying upon that agreement.

In a word, the dispute is as to the facts and not as to the law.

POINT II.

A consideration of the point raised by petitioner would be idle, for other obstacles to the issuance of an injunction exist which he cannot overcome.

For the purpose of this discussion, we may assume that the State Court did not have jurisdiction over the

subject of the action therein involved. Petitioner would, nevertheless, not be entitled to an injunction.

The obstacles to an injunction are: (a) Except in circumstances not here present, the lower Federal Courts have no power to enjoin proceedings pursuant to a judgment recovered in a State Court; and (b) The question whether the State Court had jurisdiction has already been submitted by Becher to the State Court and has been determined by it; Becher has the right there to appeal and has actually appealed.

A.

Generally speaking, lower Federal Courts have no power to stay proceedings in a State Court (Judicial Code, Section 265). There are, however, two situations in which the power to stay has been exercised and countenanced by this Court. The power has been restricted to those two instances.

The first is in the case of a judgment recovered upon alleged service of process, which service is void.

> *Essenay Film Mfg. Co.* v. *Kane*, 258 U. S. 358;
> *Ex parte Simon*, 208 U. S. 144;
> *Simon* v. *So. Ry. Co.*, 236 U. S. 115.

It is necessary to distinguish such situations involving *jurisdiction over the person* from cases in which *jurisdiction over the subject matter* is involved.

Where *jurisdiction over the person* is falsely asserted, the judgment recovered is absolutely void, for defendant never was before the Court which rendered the judgment. Where *jurisdiction over the subject matter* is concerned, he Court had power to hear the parties. Its determination that there was jurisdiction over the subject matter may be an error of law, but it does not

make void the judgment which was rendered. The remedy is by appeal.

There can never be an injunction because "the State Court erred in the application of the law."

Wagner v. *Lyndon*, 282 Fed. 219.

The other instance is restricted to actions or proceedings *in rem*, that is, where before the commencement of the action in the State Court, the Federal Court has obtained possession of the *res*. Whether such possession was obtained by attachment or receivership, or other similar process, the Court first obtaining possession refuses to relinquish such possession to any other Court.

Kline v. *Beck*, 260 U. S. 226.

There is no pretense that there here exists either lack of jurisdiction *over the person* of the defendant or the possession by the State Court of any *res* claimed to be in possession of the Federal Courts.

B.

Having presented to the State Court for decision the question whether it had jurisdiction over the subject of the action, Becher is bound by the decision of that Court.

The remedy of petitioner is by appeal in the State Court from the judgment there rendered.

Iron Bonding and Surety Co. v. *Karatz*, 262 U. S. 77, at p. 90;

Essenay Film Mfg. Co. v. *Kane*, 262 Fed. 959.

Assuming, however, that Becher might proceed in the same manner as if the question involved were jurisdiction over the person of the defendant, he was required to elect, when served with process in the State

Court, between two procedures. Either he must allow a judgment by default and then attack it in the Federal Court or other Court; or he must appear and test out the question of jurisdiction in the same action. If he chose the latter procedure, *i. e.*, to litigate in the State Court, he is bound by the decision made.

> *Cherry* v. *Insurance Co.*, 244 U. S. 25;
> *Moch* v. *Virginia, etc. Insurance Co.*, 10 Fed. 696.

The doctrine of *res adjudicata* applies to issues of law as well as to issues of fact.

> *Jonnes* v. *Lamborn*, 237 N. Y. 207 (Cardozo, J.).

Becher's commencement of the present action amounts to taking an appeal from the State Court directly to the Federal Court, in addition to the appeal already pending in the State Court.

POINT III.

The application should be denied.

Respectfully submitted,

MOERS & ROSENSCHEIN,
ROBERT MOERS,
CHARLES S. ROSENSCHEIN,
Counsel for Respondents.

FILED
MAR 30
CHARLES ELMORE

Supreme Court of the United States

OCTOBER TERM—1928.

No. 559.

EDWARD BECHER,

Petitioner,

against

CONTOURE LABORATORIES, INC., AND HERBERT OPPENHEIMER,

Respondents.

RESPONDENTS' BRIEF.

CHARLES S. ROSENSCHEIN
and
ROBERT MOERS,
Counsel for Respondents,
280 Madison Avenue,
Borough of Manhattan,
New York City.

PRESS OF FREMONT PAYNE, NEW YORK CITY

INDEX

PAGE

Respondents' Brief 1

Statement of the Case 2

Summary of Argument 2

Failure to Comply with Rules 12 (1) and 27 (2c)... 3

Argument 3

POINT I—The State Court had jurisdiction because the cause of action arose not out of any right given by the patent laws, but out of a contract or a relationship between the parties governed by ordinary principles of equity..... 3

Nature of Remedy Sought in the State Court.. 4

The Complaint Alone Determines the Nature of the Action 12

The Interference Was Not an Obstacle to the State Court Action 13

Concerning Petitioner's Brief 15

Concerning Dissenting Opinion 19

POINT II—The question whether the State Court had jurisdiction over the subject of the action has already been adjudicated at the instance of petitioner as a result of his application to the State Court to dismiss for lack of jurisdiction; that determination is binding upon him and he cannot review it except by direct appeal..... 24

PAGE

POINT III—Except in circumstances not here present, the Federal Courts lack power to enjoin proceedings in the State Court 26

POINT IV—Plaintiff did not make such showing as to entitle him to a preliminary injunction, especially since his patent has never been adjudicated and one tribunal has found on the facts that he misappropriated the invention 32

POINT V—The decree should be affirmed 36

CASES CITED

PAGE

Air Reduction Co. Inc. v. Walker, 118 N. Y. Misc. 827 13
American Express Co. v. Mullins, 212 U. S. 311 17
Andrews v. Andrews, 188 U. S. 14 31
Automatic Company v. White, 145 Fed. 643 14
Automotive Products Corporation v. Wolverine, 15 Fed. 2d 745 29

Baltimore S. S. Co. v. Phillips, 274 U. S. 316 17
Becher v. Contoure Laboratories, 29 Fed. (2d) 31 1

Cheatham Electric Switching Device Co. v. Ky. Switch & Signal Co., 213 Ky. 23 22
Chicago Life Insurance Company v. Cherry, 244 U. S. 25 25
Chinn v. Foster-Milburn, 195 Fed. 158 26
Clements v. Kirby, 274 Fed. 575 14
Craig, etc. v. Static Control, 295 Fed. 72 23

PAGE

Detroit, etc. Ry. v. City of Monroe, 262 Fed. 117.... 24
Dowse v. Federal Rubber Co., 254 Fed. 308..... 12

Essanay Film Co. v. Kane, 258 U. S. 358..... 29
Ewing v. Fowler, 244 U. S. 1 14
Excelsior Wooden Pipe Co. v. Pacific Bridge Co., 185 U. S. 282 23

Fairchild v. Fairchild, 53 N. J. Eq. 678 26

Gill v. U. S., 160 U. S. 426 13

Hanson v. Hall Mfg. Co., 190 N. W. 967 20
Healy v. Sea Gull Specialty Co., 237 U. S. 479..... 4
Hildreth v. Norton, 159 Fed. 428 33
Hillard v. Remington, 186 Fed. 334 14
Hoyt v. Bates, 81 Fed. 641 8

Irving Iron Works v. Kerlow Steel Flooring Co., 126 Atl. 291 8

Joannes v. Lamborne, 237 N. Y. 207 26

Kline v. Burke, 260 U. S. 226 28

Lawrence v. Nelson, 143 U. S. 215 26
Lehman Durr v. Glenn, 87 Ala. 618 26
Lion Bonding & Surety Co. v. Karatz, 262 U. S. 77.. 25
Luckett v. Delpark, 270 U. S. 496 .....4, 6, 21

Marshall v. Holmes, 141 U. S. 589 31
McDaniel v. Traylor, 196 U. S. 415..... 31
Meissner v. Standard Railway Equipment Co., 211 Mo. 112 13
Moch v. Virginia, etc. Insurance Co., 10 Fed. 696.... 25
Murjahn v. Hall, 119 Fed. 186 10

Newhall v. McCabe Hanger, etc. Co., 125 Fed. 919.. 33
New Marshall Engine v. Marshal Engine Co., 233 U. S. 473 23

PAGE

Odell v. Farnsworth, 250 U. S. 501 ..... 4, 12
Oliver v. Rumford, 109 U. S. 70 18

Pierce v. National Bank of Commerce of St. Louis, 282 Fed. 100 27
Pratt v. Paris Gas Light & Coke Co., 168 U. S. 255 ..... 12, 14, 18, 20

St. Paul Plough Works v. Starling, 127 U. S. 376 23
Simon v. Southern Railway Co., 236 U. S. 115 30
Simson Bros. Inc. v. Blancard & Co., Inc., 22 Fed. 2d 498 32
Slemmers, Henry T., Appeal, 58 Penn. 162 15
Smith & Egge v. Webster, 87 Conn. 74 ..... 9, 17
State v. Adams, 83 S. C. 149 26

Texas, etc. Ry. v. Gulf Ry., 270 U. S. 266 26

Underhill v. Schenck, 238 N. Y. 7 8
U. S. v. Robertson, 6 Fed. 2d 714 14

Wagner v. Lyndon, 282 Fed. 219 30
Walsh v. Albert Wahle Co., Inc., 25 Fed. 2d 350 33

TEXT BOOK CITED

Robinson "The Law of Patents", Vol. 3, Sec. 847, pages 4-5 11
Robinson "The Law of Patents", Vol. 3, Sec. 848, page 5 11
Robinson "The Law of Patents", Vol. 3, Sec. 873, page 30 11
Robinson "The Law of Patents", Vol. 3, Secs. 871 and 872, page 28 19

STATUTES CITED

U. S. Judicial Code, Sec. 237 24
U. S. Judicial Code, Sec. 265 ..... 27, 28

Supreme Court of the United States

OCTOBER TERM—1928.

EDWARD BECHER, Petitioner, against CONTOURE LABORATORIES, INC., and HERBERT OPPENHEIMER, Respondents.	No. 559.

RESPONDENTS' BRIEF.

Certiorari to the United States Circuit Court of Appeals for the Second Circuit.

Reported in 29 F. (2d) 31.

The decree under review affirms an order of the District Court for the Southern District of New York with directions to dismiss the bill of complaint (R. 85). The order of the District Court denied application made by petitioner for a preliminary injunction restraining respondents from enforcing a judgment against the petitioner recovered by them in the State Court and restraining infringement of certain Letters Patent (R. 67).

The State Court action was brought by these respondents against this petitioner. The relief sought was an injunction restraining petitioner from making use of information obtained by him from Oppenheimer pursuant to an agreement in which he undertook to keep secret and confidential the details of an invention of Oppenheimer; further that he be declared a trustee ex maleficio of the invention and be restrained from using or disposing of instruments embodying it.

Statement of the Case.

We accept the petitioner's statement of the case except in two particulars:

(1) the matter on page 8 following the first sentence is argument rather than statement; and

(2) the statement omits reference to the proceedings had in the State Court, to wit:

The State Court action was commenced by these respondents as plaintiffs against petitioner as defendant by personal service of the summons and complaint, accompanied by an application for injunction pendente lite (R. 46). Petitioner not only opposed the application for injunction on the merits, but affirmatively moved to dismiss the complaint for lack of jurisdiction in the State Court (R. 46). The injunction was granted; the motion to dismiss denied (R. 47). Petitioner answered and trial was had on the merits (R. 48). Judgment followed in favor of respondents based upon findings made by the Court (R. 48). Appeal therefrom taken by petitioner is pending in the State Court and undetermined (Statement contained in Petitioner's Brief below).

Summary of Argument.

1. The State Court had jurisdiction over the action for the reason that the plaintiffs there did not assert any right by virtue of any patent or patent application, nor any right under the Patent Laws, but relied entirely upon a breach of trust arising out of a contract or relation between the parties and governed entirely by principles of equity.

2. The remedy of petitioner after recovery against him in the State Court was by appeal from the judgment. He had already presented to the State Court for determination the question of jurisdiction over the subject of the

action and is estopped from attempting to adjudicate it again.

3. The Federal Courts, other than the Supreme Court, are without power to enjoin proceedings in the State Court, except in a limited class of cases, to which the present one does not belong.

4. The proof before the District Court would not have justified an injunction in advance of trial, because the facts established by respondents, apart from the findings of the State Court, overwhelmingly showed that petitioner had misappropriated Oppenheimer's invention.

Failure to Comply with Rules 12 (1) and 27 (2C).

Petitioner points out the statutes which he says give jurisdiction over the action to the District Court. But he makes no attempt to disclose the basis for jurisdiction in this court.

ARGUMENT.

POINT I.

The State Court had jurisdiction because the cause of action arose not out of any right given by the patent laws, but out of a contract or a relationship between the parties governed by ordinary principles of equity.

The question presented is well defined at the Circuit Court by Swan, C. J. (R. 75):

> "The complaint in the State suit alleged and the Court found, that Becher had agreed to keep secret and confidential such information as Oppenheimer gave him concerning his massaging instrument; and that in violation of this agreement and of the confi-

dential relationship between the parties, Becher embodied this information in his application for a patent. * * *

The only question is whether the undoubted jurisdiction of the State Court to compel a wrongdoer to account is divested because the incidental result will be to establish a fact between the parties which affects the validity of a patent."

Nature of the Remedy Sought in the State Court.

If Becher and Oppenheimer were utter strangers, there would be no dispute about the proper remedy. The only rights then involved would be Letters Patent. The question would be who was the first and original inventor. There would be no dispute about the method of and place for determination of the question. It would have to be an interference in the Patent Office. But here Becher and Oppenheimer were not strangers. There existed between them a contract and a relationship of trust and confidence. There is nothing in the patent laws which governs either the rights or remedies arising out of such a contract or such a relationship of trust and confidence. The rules of common law and the principles of equity determine the rights and remedies of the parties. While such contract and relationship could not take away the remedy afforded by the patent laws by way of an interference, they could furnish an additional remedy in accordance with the rules of the common law and the principles of equity.

> "The party who brings suit is 'master to decide what law he will rely upon.'"
>
> *Odell* v. *Farnscorth*, 250 U. S. 501, 503.

To the same effect:

> *Luckett* v. *Delpark*, 270 U. S. 496, 508;
>
> *Healy* v. *Sea Gull Specialty Co.*, 237 U. S. 479, 480.

Now what were the remedies of Oppenheimer in this instance? Two courses were open to him. He might proceed under the patent laws by interference and bring about a determination that Becher's patent was void because Becher was not the inventor. On the other hand, he might bring an action in the State Court relying upon the breach by Becher of the contract to keep secret, or upon the breach of his duty (arising out of the relationship) not to use for his own benefit the information secretly imparted. The distinction in basic theory between these two methods of procedure is this: In the State Court Oppenheimer relied entirely upon the contract and the relationship. He asked that equity prevent Becher from making use of the information misappropriated, and from continuing to exercise any right to such advantages as he had already gained by using the information. On the contrary, in the interference, Oppenheimer's position would be merely that he and not Becher was the first inventor of the instrument and that Becher's patent was, therefore, invalid.

It is true that in the interference, in order to establish that Oppenheimer and not Becher was the first inventor, Oppenheimer would give evidence of the misappropriation by Becher. But the only purpose of such evidence would be to establish who was the first inventor. In the State Court, the purpose of the evidence was to establish the contract or relationship and the breach thereof. In the interference, it would make no difference whether Becher had any duty toward Oppenheimer. They might be strangers and yet Oppenheimer might be declared the first inventor. In the State Court, if they were strangers, there would be an end to the action. The whole basis of the State Court suit is that there existed this contract and this relationship and the consequent duty upon Becher forbidding him to use the secret information. In a word, the State Court action relies wholly upon Becher's breach of trust.

This distinction as to remedy was applied to an analogous situation by this court as recently as 1926.

Luckett v. *Delpark*, 270 U. S. 496.

There it was pointed out that the complainant had two methods of procedure. He owned letters patent and had given a license to the defendant. The defendant had breached the license agreement to the extent that complainant might declare a forfeiture. Luckett had a choice. He could bring an action in the Federal Court under the patent laws for infringement, alleging that without the benefit of any decree, he, Luckett, had elected to rescind the license agreement for breach thereof by defendant. On the other hand, he might bring an action in the State Court asking the Court to decree that there was a forfeiture of the license agreement for breach thereof by defendant, and as a consequence, procure an injunction against continued use by defendant of the patented article.

Luckett chose the latter remedy, i. e. an action asking for a decree rescinding the license agreement. But he erred in bringing the action in the Federal Court, whose jurisdiction he attempted to sustain on the ground that it was an action under the patent laws. In determining that the action was not under the patent laws and that it should have been brought in the State Court, this Court said (opinion by the Chief Justice at p. 510):

> "The result of these cases is that a federal district court is held to have jurisdiction of a suit by a patentee for an injunction against infringement and for profits and damages, even though, in anticipation of a defense of a license or authority to use the patent, the complainant includes in his bill averments intended to defeat such a defense. * * * But * * * where a patentee complainant makes his suit one for recovery of royalties under a contract of license or assignment,

or for damages for a breach of its covenants, or for a specific performance thereof, or asks the aid of the court in declaring a forfeiture of the license or in restoring an unclouded title to the patent, he does not give the Federal district court jurisdiction of the cause as one arising under the patent laws. Nor may he confer it in such a case by adding to his bill an averment that after the forfeiture shall be declared, or the title to the patent shall be restored, he fears the defendant will infringe and therefore asks an injunction to prevent it. That was Wilson v. Sandford. *If in that case the patentee complainant had based his action on his patent right and had sued for infringement, and by anticipation of the defense of an assignment had alleged a forfeiture by his own declaration without seeking aid of the court, jurisdiction under the patent laws would have attached, and he would have had to meet the claim by the defendant that forfeiture of the license or assignment and restoration of title could not be had except by a decree of a court, which if sustained, would have defeated his prayer for an injunction on the merits. But, when the patentee exercises his choice and bases his action on the contract and seeks remedies thereunder, he may not give the case a double aspect, so to speak, and make it a patent case conditioned on his securing equitable relief as to the contract.* That is the principle settled by Wilson v. Sandford and is still the law."*

So here, if Oppenheimer had asked the Court to declare Becher's patent invalid, he would be remitted to such remedy as the patent laws allow. But he chose instead to hold Becher to his duty arising out of the contract or relationship between them. It may be that the result of a finding that Becher had such a duty would be to make his

*Italics throughout brief ours.

patent invalid, but that is a result incidentally flowing from a judgment which established only a contract or relationship between the parties and a breach of duty or trust thereunder.

The principles of the Luckett case were earlier applied to a copyright case by Chief Judge Cardozo in *Underhill v. Schenck*, 238 N. Y. 7, 14:

> "The author who suffers infringement of his copyright at the hands of a licensee, may count upon the infringement as a tort, and seek redress under the statute by action in the federal courts. But that is not in all circumstances the only remedy available. If the same act is not merely an invasion of the statutory right of property, but is also the breach of a contract or the abuse of a relation, he may count upon the breach or the abuse, and have relief accordingly. When this is the ground of action, the courts of the state are not shorn of their competence (cases cited). All depends upon the nature of the right to be enforced or the wrong to be redressed."

See also:

> Hoyt v. Bates, 81 Fed. 641.

Three cases are directly on the question. In *Irving Iron Works v. Kerlow Steel Flooring Co.*, 126 Atl. 291 (N. J.), defendants, after they left the employ of the plaintiff, made application for letters patent upon a design of the plaintiff. In holding that no rights were sought under the patent laws in an action to restrain the defendants from using the design, the Court said, page 292:

> "It is argued, however, that the defendants, before bill filed, had applied for a patent on this design and that pending the litigation this patent had been granted, and that these facts turn the controversy into

> a patent litigation, cognizable only in the federal courts. No such issue appears to have been raised on the pleadings, and we agree with the Vice Chancellor in holding it irrelevant to the theory of the bill. That theory we understand to be, in substance, that the defendants, through their confidential relations with complainant, secured a design, its private property withheld presently from the public, and have undertaken to patent it as their own; that in so doing they are trustees ex maleficio, and as such accountable for illicit profits, and to be restrained by injunction from further use of complainant's property. No patent rights, as such, are here involved. What is involved is a trust arising by operation of law."

In attempting to distinguish this New Jersey case petitioner points out in his brief (p. 13) that there was there no patent in existence. But an application for patent was pending when the action was commenced and a patent actually issued during its pendency. If the absence of a patent at the commencement of action was really important, then the case demonstrates that it is not the issuance of the patent to Becher upon which the cause of action in the State Court depends.

In *Smith & Egge* v. *Webster*, 87 Conn. 74, an ex-employee carried away a model belonging to plaintiff and applied for a patent. It was determined that the State Court could hold him to account and the Court said, page 84:

> "While the State Court cannot directly pass upon the validity of the patent, it can, in an action of this kind, pass upon the question whether Smith or Webster first originated the improvement, and, upon finding that fact in favor of the plaintiff, may restrain the defendant from assigning the patent to a third person, as a mode of protecting the plaintiff against an additional threatened injury."

The remaining case, *Murjahn* v. *Hall*, 119 Fed. 186, is a decision by Townsend, C. J. (S. D. N. Y.) There complainant invented a water paint. Defendant was a large user. To induce complainant to disclose the ingredients of this product, the defendant represented that the plaintiff would not be deprived of the benefit of the invention, that defendant would make large purchases from complainant and would not disclose the invention to others. Immediately after learning the ingredients, the defendant applied for and procured a patent and threatened to sue others who began to use the same thereafter. The plaintiff brought an action for an injunction and an accounting. The Court said, page 188:

> "Upon the facts submitted on demurrer in the case at bar, complainant had made an invention which he might legally keep secret, and then secure the benefits to himself. Defendant obtained its disclosure by the representation that such disclosure would not deprive the complainant of the benefit of the invention, and that defendant would not disclose it to others, and would be a large purchaser of the paint; and, having learned it, he proceeded to use it to complainant's disadvantage and make large profits thereby. Upon those facts complainant should be entitled to an accounting and an injunction."

(The report of this case does not disclose the ground of federal jurisdiction. The filed papers show the complainant to have been a resident of Pennsylvania. The ground of jurisdiction would therefore appear to be diversity of citizenship.)

The basic theory of the rights of an inventor throws much light upon the nature of the action in the State Court. It is necessary to distinguish between the right which Oppenheimer had on the one hand to his invention and the right which he had on the other hand to apply for and obtain letters patent. The last named right, the

right to a patent, was not involved in the State Court action. All that Oppenheimer sought to protect was his common law right to the invention. Such right is well defined by Robinson in his "The Law of Patents," Vol. 3:

> "By the performance of an inventive act the inventor acquires a property in the invention which he thus creates, irrespective of its future protection by a patent. *This property vests in him by the law of nature,* * * * *The property which thus vests in him by the law of nature,* enlarged in its enjoyment by the provisions of our patent law, *is recognized as entitled to the same protection as any other form of property; and whether attacked by force or fraud,* his rights therein are vindicated by the courts, and the wrongs committed against them are adequately redressed." (Sec. 847, pp. 4-5.)
>
> "The issue of a patent confers on the inventor *additional* rights of extraordinary scope and value." (Sec. 848, p. 5.)
>
> "*As the rights of an inventor to his secret invention, and to a remedy for the wrongs by which his property therein is injured, are not dependent upon the provisions of the Patent Law,* they exist equally whether the invention is or is not in its nature patentable. * * * But numerous products of inventive skill lie outside the field of those six classes of inventions which the Patent Law has undertaken to protect * * * he has the same redress as if the subject matter of his invention were entitled to the protection of a patent." (Sec. 873, p. 30.)

Now Oppenheimer did not ask that his "additional rights of extraordinary scope and value" be protected. He asked merely that the right given to him "by the law of nature" be enforced by the State Court. It so happens that one of the wrongs which Becher committed was to obtain letters patent. In enjoining him from use of the

secret information, it was necessary to restrain him from using the patent which had come to him in the course of his misappropriation.

The Complaint Alone Determines the Nature of the Action.

> "The party who brings suit is 'master to decide what law he will rely upon,' and the allegations of his bill are the evidence, or the expression, of his decision, upon which the Courts must act in determining the question of their jurisdiction. (Cases cited.)"
>
> *Odell* v. *Farnsworth*, 250 U. S. 501, 503.

To the same effect:

> *Pratt* v. *Paris Gas Light & Coke Co.*, 168 U. S. 255, 259.

In the present case the complaint in the State Court was based entirely upon contract. One of the terms of the agreement alleged (and found by the Court) was that Becher (R. 11),

> "would keep secret and confidential such information and knowledge as he would obtain from said plaintiff (Oppenheimer) in the course of such instruction and direction by said plaintiff and in the course of the services rendered and work done by the defendant (Becher) as a machinist in that connection."

The agreement to keep secret and confidential the information imparted is a covenant not to use the information for his own benefit as against Oppenheimer. Even if this covenant were implied instead of expressed, the situation would be the same.

> *Douse* v. *Federal Rubber Co.*, 254 Fed. 308;

Air Reduction Co. Inc. v. *Walker*, 118 N. Y. Misc. 827;
Meissner v. *Standard Railway Equipment Co.*, 211 Mo. 112;
Gill v. *U. S.*, 160 U. S. 426.

In the complaint there was no reference to any patent owned by Oppenheimer or any application for patent made by him, nor was there any mention of any right which he sought to exercise by virtue of the patent laws. The only mention of a patent is of the one obtained by Becher. The purpose in referring to it is to establish one of the acts committed by Becher in breach of his duty arising out of the contract or relationship between the parties.

Oppenheimer did not demand protection of any patent which he himself might be entitled to under the patent laws, but sought to prevent Becher from benefiting by his breach of trust.

As stated by Swan, C. J. (R. 79):

> "Oppenheimer is not asserting any right by reason of an application for a patent nor any right under the patent laws."

In fact the dissenting opinion described the complaint in the following terms (R. 81):

> "It alleged a fraudulent use of Oppenheimer's ideas."

Moreover Oppenheimer was not concerned with the effect upon Becher's patent. He did not demand any adjudication as to whether Becher's patent was valid or invalid.

The Interference was not an Obstacle to the State Court Action.

There are a number of reasons why the interference did not affect Oppenheimer's right in the State Court:

1. No reference to the interference was made in the complaint in the State Court. As already pointed out, it is the complaint that determines the nature of the action. If indeed the plaintiff stated a cause of action without reference to any interference, mention of it by the defendant in his answer in the State Court could not change the nature of the cause of action.

Pratt v. *Paris Light*, etc. (supra).

2. There was no interference in existence at the time when the State Court action was commenced. Suit was started on September 23rd, 1927 (R. 46). The interference was not declared until October 25th, 1927 (R. 18). It is the declaration of the interference by the Commissioner of Patents which constitutes its commencement.

Ewing v. *Fowler*, 244 U. S. 1.

3. But even if the interference already existed, it would not affect the right to bring an action in the State Court. The one, the interference, is an administrative act on the part of the Government; the other, the action in the State Court, is a judicial processling. The interference is not a judicial processling.

Ewing v. *Fowler* (supra);
U. S. v. *Robertson*, 6 Fed. 2d, 714;
Clements v. *Kirby*, 274 Fed. 575.

So little vitality has the interference that the rights of the parties may be adjudicated anew after the conclusion of the interference.

Hillard v. *Remington*, 186 Fed. 334;
Automatic Co. v. *White*, 145 Fed. 643.

4. *There is no inconsistency between the State Court suit and the interference.* The one has to do with the inherent right of an inventor to keep his invention secret, the other with the right of an inventor to the additional rights granted by the patent laws.

Concerning Petitioner's Brief.

1. Most of petitioner's argument concerns not the jurisdiction of the State Court over the subject of action, but rather the effect of the judgment rendered upon the validity of the patent (Pet. Brief, pp. 10-11). The *effect* of the judgment does not determine whether the court had jurisdiction. The judgment may or may not finally cause the patent to be declared invalid but it does not contain any provision as to its validity.

2. Petitioner places reliance upon Harry T. Slemmer's appeal, 58 Penn. 155 (Pet. Brief, p. 9), but he fails to note what was decided in that case. He sets forth a quotation from it as if that were the judgment of the Court (Pet. Brief, p. 11). *On the contrary, the plaintiff was allowed a recovery in the State Court.* There four brothers named Schlemmer were engaged in the business of refining oil. The question presented was whether the plaintiffs had the right to use a refining process invented by Henry, the defendant. After discussing at length the right of the plaintiffs to an assignment of the patent obtained by Henry, the Court concludes that that question is not involved at all. The Court finally describes the situation as follows (p. 166):

> "The case indeed falls entirely within the principles established in *McClurg* v. *Kingsland*, 1 How. (S. C.), 202, in which it was held that if a person employed in the manufactory of another, while receiving wages, makes experiments at the expense of his employer,

constructs the article invented and permits his employer to use it, no compensation for the use being paid or demanded, and then obtains a patent, these facts will justify the presumption of a license to use the invention. * * * By accepting a license from the defendant the plaintiffs will be estopped from contesting the validity of his patent. They have not, however, alleged the invalidity of the patent, and it is therefore not inconsistent with the frame of the bill to decree that the defendant shall grant them a license."

The judgment of the Appellate State Court was:

"IT IS ORDERED AND DECREED that the defendant Henry T. Slemmer do execute and deliver to the plaintiffs jointly and severally a license to use the improvement in the manufacture of lubricating oil, the exclusive right to which was granted to him by letters patent from the United States, under the seal of the patent office, bearing date February 27th, 1866, for the term of years therein described, and for any extension or continuation of the said term."

In other words the State Court took jurisdiction and determined that plaintiffs were entitled to a license from the patentee.

Petitioner selects a quotation from the opinion apparently for the reason that it contains the statement plainly obiter, that (Pet. Brief, p. 12)

"The true inventor has never been allowed to claim the benefit of a patent granted to one who had stolen the invention from him."

Petitioner's discussion assumes that the judgment of the State Court grants Oppenheimer the benefit of the patent.

That is not so. Primarily it enjoins Becher from making use of the invention which he stole from Oppenheimer. As an incident it directs Becher to assign the patent so as to

> "restrain the defendant from assigning the patent to a third person, as a mode of protecting the plaintiff against an additional threatened injury." (*Smith* v. *Webster*, 87 Conn. 74, 84.)

If the State Court had jurisdiction to grant the injunctive relief recited in its judgment, the mere fact that it also provided for an assignment of the patent, which it might not have had power to do, would not defeat its jurisdiction. A judgment is not void because an error of law was committed in granting part of it. That concerns the right to reverse it on appeal, not its validity.

> *Baltimore S. S. Co.* v. *Phillips*, 274 U. S. 316, 325;
> *American Express Co.* v. *Mullins*, 212 U. S. 311.

And the provision of the judgment directing an assignment of patent here was a mere incident. It is one of the methods of preventing Becher from earning profit out of his fraud. In the absence of such a provision in the judgment, and in the absence of a formal assignment of the patent, the judgment would be just as effective to prevent use by Becher of the contrivance invented.

Perhaps for the purpose of formally extinguishing the patent which Becher holds, Oppenheimer may be required to take some proceedings in the Patent Office, but that is not a reason why Becher should meanwhile be allowed the benefit of his fraud.

In a word, the judgment of the State Court would take from Becher the muniments of title because in equity and good conscience he has no right thereto and because he has threatened to misuse the apparent right evidenced thereby.

3. Petitioner says he also relies upon *Oliver* v. *Rumford*, 109 U. S. 75 and *Pratt* v. *Paris Gas, Light & Coke Co.*, 168 U. S. 255, 259 (Pet. Brief, pp. 8-9).

In the first of these cases the only question involved was the construction of an assignment of patent. The Court determined that an assignment to A which failed to mention A's assigns or representatives did not pass to his estate upon the death of A.

In the Pratt case, the opinion clearly indicates that a cause of action like that of respondents is within the jurisdiction of the State Courts (see Opinion of Swan, C. J., R. 76).

4. On page 15 of his brief, petitioner puts the question:

> "The invalidity of the patent being held incidental, the question arises, incidental to what?"

The answer is this,—The invalidity of the patent is incidental to the judgment enjoining Becher from using and profiting by the secret information obtained from Oppenheimer.

In reaching the conclusion that Oppenheimer was entitled to an injunction, the Court incidentally found facts from which the conclusion arises that Becher's patent was invalid. It is apparent that the purpose was not to establish the invalidity of the patent. If it were possible for Oppenheimer to obtain the injunction and also an assignment of the patent and still assert the validity of the patent, he would indeed have something to be thankful for. For then without prosecuting his own application for patent he would have ready-made letters patent. He must be content, however, with an injunction against Becher and an assignment of patent for a limited purpose, namely, to prevent Becher from making use of it to Oppenheimer's disadvantage,—for example by his assigning it to numerous persons in various States whom Oppenheimer would then be put to suing.

5. Petitioner insists (Pet. Brief, pp. 8, 15) that the sole issue in the State Court was whether Oppenheimer or Becher was the inventor of the subject matter of the Becher patent. We have already pointed out that the main issue was whether there was a contract between the parties, providing that Becher was to keep secret and confidential the information imparted by Oppenheimer. After that contract was established and found, it became material to determine whether he breached the contract and the trust relationship created thereby. In determining whether there was a breach of trust, for the first time the question arises whether Oppenheimer was the inventor and Becher converted the invention. Even as to this issue, the ultimate fact which the Court was asked to find was whether there was a breach of trust. The evidence of it was the invention by Oppenheimer and the misappropriation by Becher.

Concerning Dissenting Opinion.

1. The dissenting opinion in the Circuit Court would dismiss from consideration the jurisdiction of the State Court by the fact that (R. 81):

> "the suit sounded in tort and not in assumpsit."

This makes no difference. The test is whether reliance is placed upon rules of the common law and principles of equity or upon the patent laws.

Robinson in his "The Law of Patents" devotes Chapter 2, of Vol. 3 to the jurisdiction of the State Court and clearly points out that it makes no difference whether the action be called one in tort or one upon contract. He says (Secs. 871-2, p. 28):

> "The rights of an inventor in a secret invention, confidentially communicated to others, are capable of

violation either on the part of those to whom it has never been disclosed by the inventor or on the part of those to whom he has entrusted it. * * * (p. 29). With reference to the second class of persons the invention, though no longer secret, is known only for certain definite purposes, within the scope of which their employment of their knowledge must be confined. Any use of their knowledge for a different purpose, and any communication of it to others beyond the limits of the authority conferred upon them by the inventor, *is a breach of trust*, and an invasion of the rights expressly or impliedly reserved to him in the disclosure through which their own knowledge of the invention was obtained.

The remedy for wrongs already committed against an inventor by persons entrusted with his secret is an action at law for damages **in the State Courts,** or, where citizenship confers the necessary jurisdiction, in the Federal Courts. *This action has been variously regarded as one of tort based on the fraud involved in the breach of trust or as one of contract on the express or implied agreement to respect the reserved rights of the inventor*, but in one form or the other adequate compensation is awarded for the injury sustained. Against a future and expected invasion of the inventor's rights equity will interpose an injunction, forbidding the unauthorized use of the knowledge of the defendant or his disclosure to others of the secret of the invention."

For a discussion concerning jurisdiction of the State Courts over tort actions involving patents see *Hanson* v. *Hall Mfg. Co.*, 190 N. W. 967, 968 (Iowa).

2. The chief difficulty with the dissenting opinion is that throughout its argument it assumes as true the facts as asserted by Becher. If that were so, it would mean

only that Becher would have a defense to the action in the State Court, not that the nature of the action was changed. The dissenting opinion fails to assume for the purpose of determining the jurisdiction of the State Court, that the nature of the case must be taken from the complaint alone and that the facts, contrary to the complaint or in defense of the cause of action, do not change the cause of action. That is the Pratt case, supra.

3. The dissenting opinion seeks to distinguish the Pratt case, by the statement that the litigation was not between the alleged patentee and the infringer directly (R. 83). But that was not the ground upon which this Court held that the State Court had jurisdiction. The ground of jurisdiction was that the complaint did not rest upon any right given by the patent law, but was an ordinary action for the price of a machine. It held that nothing that was set forth in the answer could change the nature of the action.

There can never be a situation in which Oppenheimer would make a claim to Becher's patent pursuant to any right given to him by the patent law. The only right given by the patent law is to declare Becher's patent invalid. That would not give Oppenheimer a right *to the patent*. It would simply give him a right to destroy it. In the State Court action, Oppenheimer did not seek to destroy the patent, and therefore sought no relief given to him by the patent law.

4. It may be that the erroneous conclusion reached by the dissenting opinion arose out of a misconception of the facts in the Luckett case. These are misstated in the dissenting opinion where it is said (R. 82):

> "That suit was an ordinary bill for specific performance to complete the assignment to complainant for an improvement of a patent in compliance with

> his covenant for further assurance, and it was held that the defendant there held the legal title as trustee for the complainant and that the State Court had jurisdiction to pass upon the ownership."

The facts in the Luckett case are entirely different. The action was brought to rescind a license agreement between the complainant and the defendant and to enjoin infringement after the rescission. It had nothing whatever to do with specific performance of any agreement to complete an assignment. The whole theory of the Luckett case must have been lost to the dissenting opinion in view of this misconception of the facts involved.

5. It is surprising to find that in the dissenting opinion, reliance is placed upon *Cheatham Electric Switching Device Co.* v. *Ky. Switch & Signal Co.*, 213 Ky. 23 (R. 84). The petitioner has apparently deserted that case as an authority in his favor. Such desertion is amply justified. There a counterclaim was interposed which was somewhat like the cause of action of Oppenheimer in the State Court here. (See discussion by Swan, C. J. R. 77.) But it was not the counterclaim which determined whether the State Court had jurisdiction. The petition of the plaintiff there presented a case under the patent laws and it was held that the action must be dismissed on that ground whatever the nature of the counterclaim. The Court said (p. 26):

> "In determining the question of jurisdiction, as is also consistently held by federal courts, the facts alleged in the initial pleading are to exclusively govern and which in this case is the petition. *Under that holding the question of jurisdiction may not be determined by defendant's counterclaim in this case.* And so, the question is: Whether plaintiff's petition shows the action to be 'a case' arising under the patent law so as to deprive the state court of jurisdiction?"

6. In support of the statement that the issue tried in the State Court should have been the subject of an interference in the Patent Office, the dissenting opinion cites three cases (R. 82).

> *New Marshall Engine* v. *Marshall Engine Co.*, 223 U. S. 473;
> *Excelsior Wooden Pipe Co.* v. *Pacific Bridge Co.*, 185 U. S. 282;
> *St. Paul Plough Works* v. *Starling*, 127 U. S. 376.

In not one of these cases is an interference so much as mentioned.

In the Marshal case the State Court was held to have jurisdiction of an action to compel performance of a covenant for further assurance by assignment of a patent covering an improvement.

In the Excelsior case the rule of Luckett v. Delpark, supra, was applied.

In *St. Paul* v. *Starling* there was no question as to which system of courts had jurisdiction. It was there said (p. 378):

> "Whether, within the meaning of other statutes, and in the light of previous decisions, this case should be considered as 'arising under' the patent laws of the United States, is a question *not* before us."

The dissenting opinion also refers to Craig, etc. v. Static Control, 295 Fed. 72 (opinion by the same Judge who dissented in this instance). That case merely held that the District Court had no jurisdiction to hear a question of priority while an interference processling between the same parties was pending in the Patent Office. It is interesting to note that in that very case there was another cause of action to enjoin the use by the defendant of an invention which was claimed to be an improvement of an earlier invention assigned to the plaintiff with covenant of further

assurance. That cause of action, it was there determined, could be passed upon only by a State Court and not by a Federal Court.

None of these cases has to do with any requirement that rights arising out of a breach of confidential or contractual relationships must be abandoned and the parties confined to interference in the Patent Office.

POINT II.

The question whether the State Court had jurisdiction over the subject of the action has already been adjudicated at the instance of petitioner as a result of his application to the State Court to dismiss for lack of jurisdiction; that determination is binding upon him and he cannot review it except by direct appeal.

At the instance of Becher, there was submitted to the State Court the question which is presented in this suit. The determination made by the State Court was that it had jurisdiction over the subject of the action. Becher has appealed from that determination and the appeal is pending and undetermined. If, indeed, a Federal question is involved, he has the right of review in this Court through the State Courts (U. S. Judicial Code, Section 237).

> *Detroit, etc. Ry. v. City of Monroe*, 262 Fed. 177, 180.
>
> "Plaintiff is not without proper remedy in the premises. It will have an opportunity to present, in the State Court itself, the contention that such Court lacks jurisdiction to entertain the suit pending there or to grant the relief prayed therein, and, if necessary, that contention and defense may, in due course, be submitted, on writ of error, to the United States Supreme Court."

Becher cannot now in the guise of another action have a second appeal to a Court belonging to an entirely different system.

> *Lion Bonding & Surety Co.* v. *Karatz*, 262 U. S. 77.

When served with process in the State Court suit, Becher could choose between two procedures. He might pay no attention to the service and when judgment was entered by default bring an action in the Federal Court, such as the present suit, to enjoin proceedings because the State Court had no power to grant the judgment. His other course, the one which he selected, was to test out the question of jurisdiction in the State Court itself. Once having done so, the determination made is binding upon him everywhere.

Chicago Life Ins. Co. v. *Cherry*, 244 U. S. 25 (affirming 190 Ill. 70), was an action in the State Court of Illinois upon a judgment recovered in a State Court in Tennessee. When originally sued in Tennessee, the defendant raised the question of jurisdiction and there was a determination against him. This Court held that the defendant, when sued in Illinois on the Tennessee judgment, could not again raise the question whether the Tennessee Court had jurisdiction, being bound by the determination of the Tennessee Court.

In an earlier case, *Moch* v. *Virginia, etc. Insurance Co.*, 10 Fed. 696, action was brought in a Louisiana State Court and judgment recovered by default. Defendant appeared for the purpose of opening the default. After a hearing, his application was denied, it being determined by the Court itself that it had jurisdiction. A subsequent action was brought in Virginia upon the Louisiana judgment. A plea was interposed that the Louisiana judgment was void because the Court did not have jurisdiction. The plea was held invalid because the question had already been determined in the Louisiana Court.

To the same effect,

Chinn v. Foster-Milburn, 195 Fed. 158;
Lawrence v. Nelson, 143 U. S. 215;
State v. Adams, 83 S. C. 149;
Fairchild v. Fairchild, 53 N. J. Eq. 678;
Lehman Durr v. Glenn, 87 Ala. 618.

This Court said recently:

> "Every court of general jurisdiction has power to determine whether the conditions essential to its exercise exist."
>
> Texas, etc. Ry. v. Gulf Ry. 270 U. S. 266, 274.

The doctrine of res adjudicata applies to issues of law as well as to issues of fact.

> *Joannes* v. *Lamborn*, 237 N. Y. 207 (Opinion of Cardozo, J.).

It has been adjudicated that the State Court had jurisdiction over the subject of the action. If that adjudication is erroneous, Becher has an appropriate remedy by appeal to the proper tribunal and the opportunity, in that manner, ultimately to reach this Court.

POINT III.

Except in circumstances not here present, the Federal Courts lack power to enjoin proceedings in the State Court.

The only instances in which the Federal Courts have power to issue an injunction in connection with proceedings in the State Court are those which do not violate the Statute, as follows:

"379 (Judicial Code, Sec. 265), Same: Stay in state courts.—The writ of injunction shall not be granted by any court of the United States to stay proceedings in any court of a State, except in cases where such injunction may be authorized by any law relating to proceedings in bankruptcy (R. S., Section 720; Mar. 3, 1911, C. 231, Sec. 265, 36 Stat. 1162)."

There are only three exceptions to the statute.

> *Pierce v. National Bank of Commerce of St. Louis*, 282 Fed. 100, 103.

These exceptions divide themselves into A, cases in which the action in the State Court is still pending; B, cases in which the action in the State Court is no longer pending.

(1) When the action is still pending in the State Court the only exception is an action in rem, in which the Federal Court has obtained possession of the res and the State Court seeks to interfere.

The two exceptions when the action is no longer pending and there is a final judgment of the State Court are:

(2) Where there was a failure of due service of process in the State Court and the validity of the process has not been there questioned and

(3) where judgment of the State Court was procured by fraud.

The case at bar does not come within any of the three exceptions.

1.

THE STATE COURT ACTION IS STILL PENDING.

It may not be said that the State Court action has terminated merely because a judgment has been entered at nisi prius. There is still pending an appeal from that judgment. Until the appeal is disposed of, there is no final determination. If, indeed, the action is still pending, Section 265 of the Judicial Code has direct application. The only circumstance in which it would not apply is where the Federal Court by attachment, receivership or the like, has come into possession of property and the State Court seeks to interfere with such possession. An illustration is *Kline* v. *Burke*, 260 U. S. 226, 229, in which the Court said:

> "Where the action is in rem the effect is to draw to the federal court the possession or control, actual or potential, of the res, and the exercise by the state court of jurisdiction over the same res necessarily impairs, and may defeat, the jurisdiction of the federal court already attached. The converse of the rule is equally true, that where the jurisdiction of the state court has first attached, the federal court is precluded from exercising its jurisdiction over the same res to defeat or impair the state court's jurisdiction * * * (p. 235). The rule, therefore, that the court first acquiring jurisdiction shall proceed without interference from a court of the other jurisdiction is a rule of right and of law based upon necessity, and where the necessity, actual or potential, does not exist, the rule does not apply. *Since that necessity does exist in actions in rem and does not exist in actions in personam, involving a question of personal liability only, the rule applies in the former but does not apply in the latter.*"

But an action involving patent rights is not an action in rem.

Automotive Products Corporation v. *Wolverine* (C. C. A. 6th), 15 Fed. 2d 745.

Moreover an action for breach of trust is manifestly an action in personam.

It is no answer to say that the State Court attempted to pass upon the question over which the Federal Courts had exclusive jurisdiction.

Essanay Film Co. v. *Kane*, 258 U. S. 358, 361.

"That appellant's objection to the action sought to be restrained rests upon a fundamental ground and one based upon a provision of the Constitution of the United States, does not render the effort to stay proceedings in the State Court any the less inconsistent with §265, Judicial Code. That section would be of little force did it not apply to cases where, save for its prohibition, good ground would exist for enjoining the prosecution of a pending suit. And, as to the federal question involved, Congress at all times, commencing with the first Judiciary Act (September 24, 1789, C. 20, Sec. 25, 1 Stat. 73, 85), has maintained upon the Statute books such provisions as it deemed needful for reviewing judicial proceedings in state courts involving a denial of federal rights, *but has confined them to a direct review by this Court, and deferred this until final judgment or decree in the state court of last resort.*"

2.

LACK OF JURISDICTION OVER THE SUBJECT MATTER IS NOT LACK OF DUE SERVICE OF PROCESS.

The only authority cited by the dissenting opinion for the statement that (R. 85)

> "An injunction restraining proceedings on the State Court decree may be granted under the general equity powers of the District Court"

is *Simon* v. *Southern Railway Co.*, 236 U. S. 115.

That was not a case of lack of jurisdiction over the subject of action. There, a Louisiana statute permitted service of process upon a foreign corporation doing business in Louisiana by delivery of a summons to the Secretary of State. No notice was given to the defendant in any form. The cause of action arose in Alabama. Defendant had no opportunity to defend and plaintiff entered judgment. Defendant then brought action in the Federal Court to enjoin proceedings pursuant to the judgment of the State Court. The complaint was sustained solely on the ground that the attempted service of process was invalid and the judgment void.

The present situation is quite different. Jurisdiction over the person of the defendant in the State Court was not questioned nor is it questioned now. The dispute concerned jurisdiction over the subject matter. The distinction is that in the one instance the Court never having had the defendant before it, was powerless to render any judgment binding upon the defendant. Where jurisdiction over the subject matter is in question, however, the defendant is before the Court, and while the judgment which it renders may be improper, there is nevertheless full opportunity on the part of the defendant to correct such impropriety by an appeal. But he cannot ask some other Court to determine whether an error was committed by the State Court.

It is never proper to grant an injunction on the ground that

> "the State Court erred in the application of the law on the trial of the cause."
>
> *Wagner* v. *Lyndon*, 282 Fed. 219, 220.

3.

THERE WAS NO FRAUD CONNECTED WITH THE STATE COURT SUIT.

In his bill of complaint, petitioner uses the words "fraud" and "fraudulent." He must have had in mind cases like

Marshall v. *Holmes*, 141 U. S. 589;
Andrews v. *Andrews*, 188 U. S. 14;
McDaniel v. *Traylor*, 196 U. S. 415.

In all these cases there was some fraud *connected with* the proceedings resulting in the judgment as to which the injunction was granted. Here, we are at a loss to know, what can be said to constitute any fraud on the part of the respondents. Certainly no fraud is pointed out in the petitioner's brief. He does not say that there should be an injunction against proceedings pursuant to the State Court judgment because it was obtained by fraud.

In his bill of complaint he uses the words that relief is asked "because of certain frauds perpetrated by the defendants" (R. 1). But he does not say what constituted the frauds and it is impossible to discover from the bill of complaint or from any other part of the record what it was that constituted these frauds.

He also alleges that the instruments (R. 3)

> "have been used and sold by the defendants acting in conspiracy to defraud and defeat the rights of the plaintiff in the premises."

We are at a loss to know what the conspiracy or fraud consisted of. In any event this allegation has nothing to do with the recovery of the judgment. It affects only the alleged infringement.

He also says in his bill of complaint (R. 5)

> "that the defendants well knew that the allegations of the complaint were untrue and fraudulent."

But it is impossible to discover in the record what there was about the allegations of the complaint that constituted the fraud, except perhaps that they charged Becher with fraud.

He also alleges that the State Court action was brought (R. 5)

> "with a view to fraudulently putting the plaintiff Becher to additional expense and trouble."

and (R. 6):

> "that the said proceedings in the said State Court were fraudulently instituted and fraudulently prosecuted"

but there is no statement from which these conclusions are drawn.

It seems plain that petitioner will not endeavor to justify any right to injunctive relief on the ground of fraud in connection with obtaining the judgment in the State Court.

POINT IV.

Plaintiff did not make such showing as to entitle him to a preliminary injunction, especially since his patent has never been adjudicated and one tribunal has found on the facts that he misappropriated the invention.

1. Aside from the other points involved, the lack of an adjudication of the validity of the patent is sufficient to require a denial of a preliminary injunction.

> *Simson Bros., Inc.* v. *Blancard & Co., Inc.* (C. C. A., Second Circuit, 1927), 22 Fed. 2d 498;

Hildreth v. *Norton* (C. C. A., Second Circuit, 1908), 159 Fed. 428;
Walsh v. *Albert Wahle Co., Inc.* (E. D. N. Y.), 25 Fed. 2d 350.

The Circuit Court of Appeals in the Second Circuit has held that lack of adjudication of the validity of the patent is not overcome even by a decision in an interference favorable to the plaintiff.

Neuhall v. *McCabe Hanger, etc., Co.*, 125 Fed. 919,

where the Court said on another point (p. 920):

> "The patent is a very recent one, and there is no such proof of long continued acquiescence by the public as would raise a prima facie case in the patentee's favor. Under such circumstances it is the practice in this court to refuse a preliminary injunction where there has been no adjudication sustaining the patent, if there appears to be any fair question as to invention, anticipation, construction or infringement."

2. In the present instance there is not only a "fair question as to invention," but it appears that plaintiff *cannot* recover upon a trial on such a showing as is made in the present record. In the affidavit in support of his application plaintiff states generally the existence of his patent and the fact that defendants are manufacturing instruments which infringe it (R. 8). There is no attempt to state either generally or in detail the facts which constitute the transactions between the parties.

In direct contrast, defendants have set forth in minute detail what occurred between the parties to this action. *No reply was made by plaintiff and the facts as asserted by defendants stand substantially uncontroverted.*

It appears that for many years Oppenheimer had been experimenting with massage machines (R. 33). Before he met petitioner, a machinist, he had procured models to be made by another concern (R. 25). The model of this machine, containing three rollers, was exhibited to Becher on December 18th, 1925, at a time when Oppenheimer had already filed application for patent upon that instrument (R. 24). Oppenheimer was desirous of having duplicates made with certain improvements which he intended to devise from time to time (R. 26). He exacted from Becher a promise that if the work were given Becher as a machinist, the latter would keep such information as he obtained confidential and secret (R. 24-26). Oppenheimer was careful enough to obtain a receipt for the model which he first gave to Becher as follows (R. 26):

"Brooklyn, N. Y., Dec. 18, 1925.

H. Oppenheimer,
205 E. 44th St.

Received for estimating purposes.

1 ozmosifier iron—and is to be returned on Mon., Dec. 21/25.

(Signed) EDWARD BECHER."

Being satisfied with Becher's ability to duplicate these machines, Oppenheimer gave him an order in writing, in which he specifically stated in great detail what changes were to be made from the model thus delivered (R. 26). After a few of these machines, ten of them, had been made and while certain others were in process, Oppenheimer discovered that the instrument was not effective and instructed Becher to make a change in the position of a heating rod, by placing it inside an aluminum roller instead of on top of the roller (R. 27, 33). After having made thirty-five instruments, Becher made that change under Oppenheimer's instructions (R. 26). Then Oppen-

heimer conceived a modification of the whole machine, by reducing it to a single roller in place of three rollers (R. 27-8). The result was the identical machine upon which Becher has obtained a patent (R. 28). The single roller instrument was nothing more nor less than a reduction in size from the original model delivered by Oppenheimer to Becher for duplication, with a change in the position of the heating element, as requested by Oppenheimer (R. 28, 33). Specific instructions were given by Oppenheimer as to each little change to be made, Becher merely carrying out mechanically what Oppenheimer described (R. 28).

When all but one element of the instrument had been completely conceived and made, Becher surreptitiously filed application in his own name for a patent upon the instrument (R. 51, 33). He made a tell-tale error in this regard. The instrument conceived by Oppenheimer contained an opening in which there was a screw thread. Although Becher did not know it at the time, this hole was intended to receive a cup containing a preparation to be passed on to the roller during massage (R. 31).

The whole purpose of the instrument was that the preparation be so supplied to the instrument as not to require the use of the hands or fingers in the application to the skin. The cup was the part which made this possible. Becher's application entirely omitted reference to this cup but contained provision for the holes which were to receive it (R. 30-1). In providing for the holes and omitting the cup, Becher disclosed his lack of knowledge of the real purpose of the instrument.

Immediately upon discovering what Becher had done, Oppenheimer discontinued Becher's work (R. 33). It further appears that defendants have made substantial investment in the business of marketing these machines and the preparations that go with them (R. 34), while Becher has not begun to launch his alleged business of making these machines (R. 34). A preliminary injunction, therefore, would cause defendants irreparable injury.

35

3. It might ordinarily be sufficient to pause here and say that without controverting these facts, petitioner cannot hope to establish any right to an injunction.

But the record goes further. For our present purpose it makes no difference whether the judgment recovered in the state court is valid, voidable or void. The fact remains that the Supreme Court of the State of New York, after hearing both Becher and Oppenheimer and their witnesses, has reached a conclusion as to the facts, that the story told by Oppenheimer is true (Decision, R. 60):

That Becher did, indeed, agree to keep secret the information imparted to him by Oppenheimer concerning the massage instrument (R. 61, 62), that what he knew of such instrument he learned from Oppenheimer (R. 62-3); that it was Oppenheimer's invention upon which Becher made application for patent (R. 64-5), that such an application was a fraud upon Oppenheimer (R. 66).

Upon this record there is an absence of such a showing by Becher as would warrant the granting of a preliminary injunction.

POINT V.

The decree should be affirmed.

Respectfully submitted,

CHARLES S. ROSENSCHEIN,
and
ROBERT MOERS,
Counsel for Respondents.